

Q.PSB:EN-8: There was testimony at the technical hearing in July 2008 suggesting that, regardless of its financial structure, Enexus would not be able to achieve an investment grade rating because of how the ratings agencies would assess the business risks associated with the ownership of a fleet of merchant nuclear plants. Without taking into account the ratings agencies negative assessment of these business risks, what overall financial structure and debt level for Enexus following the spin-off would generally be consistent with an investment grade rating?

A.PSB:EN-8: The tables below, which contain proprietary information of Standard & Poor's ("S&P"), illustrate S&P's criteria methodology for assessing business and financial risk. The rating agencies do not allow for the separation of business risk and financial risk when assessing the requirements to achieve investment-grade credit ratings. In fact, in some respects the business risk dictates what financial risk would be required to achieve investment-grade credit ratings. \*\*\* BEGIN CONFIDENTIAL INFORMATION \*\*\*

[REDACTED]

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END CONFIDENTIAL INFORMATION \*\*\* Petitioners note that metrics and ratios are not the sole determiners of ratings, as S&P notes in the table below. "These ratings outcomes are shown for guidance purposes only. Actual rating should be within one notch of the indicated rating outcomes." Further, because Enexus' book value ratio is an artifact of Entergy's low original purchase price for the non-utility nuclear plants, Petitioners believe that the financial structure measure (Debt/Total Capital) is of lesser importance in determining credit ratings. \*\*\* BEGIN CONFIDENTIAL INFORMATION \*\*\*

[REDACTED]

\*\*\* END CONFIDENTIAL INFORMATION \*\*\* It should also be noted that this discussion is centered on Enexus' corporate and unsecured ratings; however, its secured ratings \*\*\* BEGIN CONFIDENTIAL INFORMATION \*\*\*

\*\*\* END CONFIDENTIAL INFORMATION \*\*\* Typically utility debt offerings are secured with first liens on assets.

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Docket No. 7404  
Response of Entergy VY to Board Questions  
December 9, 2009  
(Revised December 10, 2009)

*S&P's Financial Risk Indicative Ratios (Corporates)*

Financial Risk Indicative Ratios (Corporates)			
	FFO/Debt (%)	Debt/EBITDA (x)	Debt/Capital (%)
Minimal	greater than 60	less than 1.5	less than 25
Modest	45-60	1.5-2	25-35
Intermediate	30-45	2-3	35-45
Significant	20-30	3-4	45-50
Aggressive	12-20	4-5	50-60
Highly Leveraged	less than 12	greater than 5	greater than 60

Business And Financial Risk Profile Matrix						
Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	CCC+

These rating outcomes are shown for guidance purposes only. Actual rating should be within one notch of indicated rating outcomes.

Source: S&P Criteria | Corporates | General: Criteria Methodology: Business Risk/Financial Risk Matrix Expanded (May 27, 2009)

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Date: December 9, 2009

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